



Senate

General Assembly

File No. 716

February Session, 2016

Substitute Senate Bill No. 461

Senate, April 25, 2016

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING A SMALL MINORITY BUSINESS REVOLVING LOAN FUND.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 32-7g of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) There is established within the Department of Economic and
4 Community Development the Small Business Express program. Said
5 program shall provide small businesses with various forms of financial
6 assistance, using a streamlined application process to expedite the
7 delivery of such assistance. The Commissioner of Economic and
8 Community Development, at his or her discretion, may partner with
9 the lenders in the Connecticut Credit Consortium, established
10 pursuant to section 32-9yy, in order to fulfill the requirements of this
11 section. A small business eligible for assistance through said program
12 shall [, as of June 15, 2012,] (1) employ, on at least fifty per cent of its
13 working days during the preceding twelve months, not more than one

14 hundred employees, (2) have operations in Connecticut, (3) have been
15 registered to conduct business for not less than twelve months, and (4)
16 be in good standing with the payment of all state and local taxes and
17 with all state agencies.

18 (b) The Small Business Express program shall consist of various
19 components, including (1) a revolving loan fund, as described in
20 subsection (d) of this section, to support small business growth, (2) a
21 job creation incentive component, as described in subsection (e) of this
22 section, to support hiring, [and] (3) a matching grant component, as
23 described in subsection (f) of this section, to provide capital to small
24 businesses that can match the state grant amount, and (4) not more
25 than two minority business revolving loan funds, as described in
26 subsection (g) of this section, to support the growth of minority-owned
27 businesses. The Commissioner of Economic and Community
28 Development shall work with eligible small business applicants to
29 provide a package of assistance using the financial assistance provided
30 by the Small Business Express program and may refer small business
31 applicants to the Subsidized Training and Employment program
32 established pursuant to section 31-3pp and any other appropriate state
33 program. Notwithstanding the provisions of section 32-5a regarding
34 relocation limits, the department may require, as a condition of
35 receiving financial assistance pursuant to this section, that a small
36 business receiving such assistance shall not relocate, as defined in
37 [said] section 32-5a, for five years after receiving such assistance or
38 during the term of the loan, whichever is longer. All other conditions
39 and penalties imposed pursuant to [said] section 32-5a shall continue
40 to apply to such small business.

41 (c) The commissioner shall establish a streamlined application
42 process for the Small Business Express program. The small business
43 applicant may receive assistance pursuant to said program not later
44 than thirty days after submitting a completed application to the
45 department. Any small business meeting the eligibility criteria in
46 subsection (a) of this section may apply to said program. The
47 commissioner shall give priority for available funding to small

48 businesses creating jobs and may give priority for available funding to
49 (1) economic base industries, as defined in subsection (d) of section 32-
50 222, including, but not limited to, those in the fields of precision
51 manufacturing, business services, green and sustainable technology,
52 bioscience and information technology, and (2) businesses attempting
53 to export their products or services to foreign markets.

54 (d) (1) There is established as part of the Small Business Express
55 program a revolving loan fund to provide loans to eligible small
56 businesses. Such loans shall be used for acquisition or purchase of
57 machinery and equipment, construction or leasehold improvements,
58 relocation expenses, working capital or other business-related
59 expenses, as authorized by the commissioner.

60 (2) Loans from the revolving loan fund may be in amounts from ten
61 thousand dollars to a maximum of one hundred thousand dollars,
62 shall carry a maximum repayment rate of four per cent and shall be for
63 a term of not more than ten years. The department shall review and
64 approve loan terms, conditions and collateral requirements in a
65 manner that prioritizes job growth and retention.

66 (3) Any eligible small business meeting the eligibility criteria in
67 subsection (a) of this section may apply for assistance from the
68 revolving loan fund, but the commissioner shall give priority to
69 applicants that, as part of their business plan, are creating new jobs
70 that will be maintained for not less than twelve consecutive months.

71 (e) (1) There is established as part of the Small Business Express
72 program a job creation incentive component to provide loans for job
73 creation to small businesses meeting the eligibility criteria in
74 subsection (a) of this section, with the option of loan forgiveness based
75 on the maintenance of an increased number of jobs for not less than
76 twelve consecutive months. Such loans may be used for training,
77 marketing, working capital or other expenses, as approved by the
78 commissioner, that support job creation.

79 (2) Loans under the job creation incentive component may be in

80 amounts from ten thousand dollars to a maximum of three hundred
81 thousand dollars, shall carry a maximum repayment rate of four per
82 cent and shall be for a term of not more than ten years. Payments on
83 such loans may be deferred, and all or part of such loan may be
84 forgiven, based upon the commissioner's assessment of the small
85 business's attainment of job creation goals. The department shall
86 review and approve loan terms, conditions and collateral requirements
87 in a manner that prioritizes job creation.

88 (f) (1) There is established as part of the Small Business Express
89 program a matching grant component to provide grants for capital to
90 small businesses meeting the eligibility criteria in subsection (a) of this
91 section. Such small businesses shall match any state funds awarded
92 under this program. Grant funds may be used for ongoing or new
93 training, working capital, acquisition or purchase of machinery and
94 equipment, construction or leasehold improvements, relocation within
95 the state or other business-related expenses authorized by the
96 commissioner.

97 (2) Matching grants provided under the matching grant component
98 may be in amounts from ten thousand dollars to a maximum of one
99 hundred thousand dollars. The commissioner shall prioritize
100 applicants for matching grants based upon the likelihood that such
101 grants will assist applicants in maintaining job growth.

102 (3) The commissioner may waive the matching requirement for
103 grants under this subsection for working capital to small businesses
104 located within distressed municipalities, as defined in section 32-9p.

105 (g) (1) There are established as part of the Small Business Express
106 program not more than two revolving loan funds to provide loans to
107 eligible small businesses that are owned by one or more members of a
108 minority. As used in this subsection, (A) "minority business
109 development entity" means a nonprofit organization (i) having a
110 lending portfolio on or before the effective date of this act from which
111 at least seventy-five per cent of lending is provided to minority-owned
112 businesses state-wide; and (ii) that provided technical assistance on or

113 before the effective date of this act, provided at least seventy-five per
114 cent of such assistance was provided to minority-owned businesses
115 state-wide; and (B) "minority" means (i) Black Americans, including all
116 persons having origins in any of the Black African racial groups not of
117 Hispanic origin; (ii) Hispanic Americans, including all persons of
118 Mexican, Puerto Rican, Cuban, Central or South American, or other
119 Spanish culture or origin, regardless of race; (iii) all persons having
120 origins in the Iberian Peninsula, including Portugal, regardless of race;
121 (iv) women; (v) Asian Pacific Americans and Pacific islanders; or (vi)
122 American Indians and persons having origins in any of the original
123 peoples of North America and maintaining identifiable tribal
124 affiliations through membership and participation or community
125 identification.

126 (2) Notwithstanding the provisions of section 32-7h, as amended by
127 this act, the commissioner shall allocate from the available funding
128 under the Small Business Express program a total of five million
129 dollars to not more than two minority business development entities in
130 each of the fiscal years ending June 30, 2016, to June 30, 2020, inclusive,
131 for the purpose of establishing and administering minority business
132 revolving loan funds. Moneys from such funds shall be used to (A)
133 provide loans to eligible small businesses, and (B) fund the
134 administrative costs associated with the provision of such loans by a
135 minority business development entity, provided a minority business
136 development entity may not use more than ten per cent of the amount
137 received as a grant under this section to fund such costs. Such loans
138 shall be used for acquisition or purchase of machinery and equipment,
139 construction or leasehold improvements, relocation expenses, working
140 capital or other business-related expenses, as authorized by the
141 minority business development entity.

142 (3) Loans from a minority business revolving loan fund may be in
143 amounts from ten thousand dollars to a maximum of one hundred
144 thousand dollars, shall carry a maximum repayment rate of four per
145 cent and shall be for a term of not more than ten years. The minority
146 business development entity shall review and approve loan terms,

147 conditions and collateral requirements in a manner that prioritizes job
148 growth and retention.

149 (4) Any eligible small business owned by one or more members of a
150 minority may apply for assistance from a minority business revolving
151 loan fund, provided the minority business development entity shall
152 give priority to applicants that, as part of their business plan, are
153 creating new jobs that will be maintained for not less than twelve
154 consecutive months.

155 (5) Loans from a minority business revolving fund shall be provided
156 in such a manner that, on or before five years after the date such loan
157 fund is established, the annual funds or revenues derived from
158 investment income, loan repayments or any other sources received by
159 the minority business development entity in connection with such loan
160 fund is sufficient to fund the administrative costs associated with such
161 loan fund.

162 (6) A minority business development entity receiving a grant
163 pursuant to this subsection shall annually submit to the commissioner
164 a financial audit of grant expenditures until all grant moneys have
165 been expended by such entity. Any such audit shall be prepared by an
166 independent auditor and if the commissioner finds that any such grant
167 is used for purposes that are not in conformity with uses set forth in
168 subdivisions (2) and (3) of this subsection, the commissioner may
169 require repayment of such grant.

170 [(g)] (h) Not later than June 30, 2012, and every six months
171 thereafter, the commissioner shall provide a report, in accordance with
172 the provisions of section 11-4a, to the joint standing committees of the
173 General Assembly having cognizance of matters relating to finance,
174 revenue and bonding, appropriations, commerce and labor. Such
175 report shall include available data on (1) the number of small
176 businesses that applied to the Small Business Express program, (2) the
177 number of small businesses that received assistance under said
178 program and the general categories of such businesses, (3) the amounts
179 and types of assistance provided, (4) the total number of jobs on the

180 date of application and the number proposed to be created or retained,
181 and (5) the most recent employment figures of the small businesses
182 receiving assistance. The contents of such report shall also be included
183 in the department's annual report.

184 Sec. 2. Section 32-7h of the 2016 supplement to the general statutes is
185 repealed and the following is substituted in lieu thereof (*Effective from*
186 *passage*):

187 (a) There is established an account to be known as the "small
188 business express assistance account" which will be a separate,
189 nonlapsing account within the General Fund. The account shall
190 contain any moneys required by law to be deposited in the account.
191 Repayment of principal and interest on loans shall be credited to such
192 fund and shall become part of the assets of the fund. Moneys in the
193 account shall be expended by the Department of Economic and
194 Community Development for the purposes of the Small Business
195 Express program established pursuant to section 32-7g, as amended by
196 this act. [All] Except as provided in subsection (g) of section 32-7g, as
197 amended by this act, all moneys received for the purposes of the Small
198 Business Express program and payments of principal and interest on
199 any loans given under said program shall be credited to the account.

200 (b) [The] Except as provided in subsection (g) of section 32-7g, as
201 amended by this act, the Commissioner of Economic and Community
202 Development may provide for the payment of any administrative
203 expenses or other costs incurred by the department or its lender
204 partners in carrying out the purposes of the Small Business Express
205 program not to exceed five per cent of funding from this program from
206 the account established pursuant to subsection (a) of this section,
207 provided one per cent shall be dedicated to develop capacity for
208 capital construction projects for minority business enterprises.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>from passage</i>	32-7g
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Sec. 2	<i>from passage</i>	32-7h
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FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 17 \$	FY 18 \$
Treasurer, Debt Serv.	GF - Acceleration of Debt Service Costs	Potential	Potential

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill expands the Small Business Express (Express) program to include up to two minority business revolving loan funds.

The bill allocates \$5 million annually from Small Business Express program funds in each of FY 16 through FY 20 for the revolving loan funds established under the bill. However, this does not change General Obligation (GO) bond authorizations for the Express program.

Future General Fund debt service costs may be incurred sooner under the bill to the degree that the bill causes authorized GO bond funds to be expended more rapidly than they otherwise would have been.

The Express program is funded through GO bond funds. The program has received \$310 million in bond authorizations since its inception in 2011. As of April 20th, the unallocated bond balance available to the program is \$67.8 million.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 461*****AN ACT CONCERNING A SMALL MINORITY BUSINESS REVOLVING LOAN FUND.*****SUMMARY:**

This bill establishes, within the Small Business Express program (SBX), up to two minority business revolving loan funds ("funds") to support the growth of small minority-owned businesses by providing them with loans.

Under the bill, the Department of Economic Development (DECD) must provide up to two minority business development entities ("entities") with grants, from SBX bond funds, to establish the funds. Entities must use the grants to provide loans to small minority-owned businesses that meet SBX eligibility criteria.

The bill also (1) specifies amounts, terms, and eligible uses of loans awarded from the funds; (2) imposes various administrative requirements on the funds; and (3) makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

DEFINITIONS

Under the bill, a "minority business development entity" is a nonprofit organization that, on or before the bill's effective date, (1) has a lending portfolio from which at least 75% of lending is provided to minority-owned businesses statewide and (2) provided at least 75% of its technical assistance to minority-owned businesses statewide.

Under the bill, "minority" refers to:

1. Black Americans, including people with origins in any of the

Black African racial groups not of Hispanic origin;

2. Hispanic Americans, including all people of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish culture or origin, regardless of race;
3. anyone who has origins in the Iberian Peninsula, including Portugal, regardless of race;
4. women;
5. Asian Pacific Americans and Pacific Islanders; and
6. American Indians and people with origins in any of the original people of North America who maintain identifiable tribal affiliations through membership and participation or community identification.

REVOLVING LOAN FUNDS

Funding and Administration

The bill requires the DECD commissioner to allocate a total of \$5 million to up to two entities in each of year from FY 16 to FY 20 (\$25 million total) in order to establish the funds. Money in the funds must be used to (1) provide loans to eligible small minority-owned businesses and (2) fund the administering entity's administrative costs of providing the loans. Entities cannot use more than 10% of the amount they receive from DECD for their administrative costs.

Entities operating these revolving loan funds must provide loans in a way that, within five years of the funds' establishment, the annual investment income, loan repayments, or other revenue sources are sufficient to cover the funds' administrative costs. The entities must also annually submit to DECD an independent financial audit of expenditures until they have spent all funding they received from DECD. If DECD finds that an entity has used any of the funding for unauthorized purposes, she may require the entity to repay DECD for the funding it provided.

Loans

To be eligible for loans from the funds, a business must:

1. be owned by one or more members of a minority;
2. employ, on at least 50% of its working days in the previous 12 months, fewer than 100 employees;
3. operate in Connecticut;
4. have been registered to conduct business for at least 12 months;
and
5. be in good standing with the payment of all state and local taxes
and with all state agencies.

The entities must give priority to applicants that, as part of their business plan, are creating new jobs that will be maintained for at least 12 consecutive months.

Under the bill, entities may provide loans to small minority-owned businesses in amounts from \$10,000 to \$100,000. The loans' repayment rate is capped at 4% and their term is capped at 10 years. Entities must review and approve loan terms, conditions, and collateral requirements in a manner that prioritizes job growth and retention.

Businesses that receive loans from the fund may use them for acquisition or purchase of machinery or equipment, construction or leasehold improvements, relocation expenses, working capital, or other business-related expenses the entity may authorize.

BACKGROUND***Related Bill***

sHB 5045 (file 454), favorably reported by the Commerce and Finance, Revenue and Bonding committees, modifies the SBX eligibility criteria, including (1) limiting eligibility for loans from certain SBX funds to businesses that have been denied a loan by a private lender and (2) extending eligibility to businesses operating for

at least six months.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 51 Nay 0 (04/07/2016)